



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
LANSING

ROBERT W. SWANSON
DIRECTOR

BILL ANALYSIS (Indicate if this is a Draft)

Analysis of Enrolled Senate Bill 1364

Topic: Youth Minimum Wage
Sponsor: Senator Brown
Committee: Government Operations
Date Introduced: July 26, 2006
Date Passed Senate: August 30, 2006
Date Passed House: September 5, 2006
Date Enrolled: September 6, 2006
Date of Analysis: August 31, 2006

Position: The Department of Labor & Economic Growth does not oppose the bill.

Problem/Background:

With the establishment of a higher minimum wage for all workers within the State of Michigan, Michigan employers were suddenly facing a requirement to pay the higher minimum wage for teenagers under the age of 18, who are trying to gain work experience. Companies argued, and studies have shown that they will be likely to hire older, more experienced workers in place of youthful workers who must receive additional training and oversight. By maintaining the current lower wage for the first 90 days of employment, and then raising the wage to 85% of the established minimum wage, those companies would be encouraged to keep younger, inexperienced workers on their payrolls.

Description of Bill:

The bill will revise 1964 PA 154, the Minimum Wage Law of 1964 to do the following:

- Establish a new minimum hourly wage for employees younger than 18 years of age that is equal to 85% of the new general minimum wage.
- It also keeps intact a provision to pay a minimum wage of \$4.25 per hour to employees younger than 20 years of age for the first 90 days of employment.
- It is tie-barred to House Bill 6213, the "minimum wage/overtime correction" bill, and Senate Bill 453, which provides Earned Income Tax Credits to low and middle income families.

Arguments For:

- Youthful, inexperienced workers should not be paid the same wage as older, more experienced workers who are generally more productive.

- Employers will benefit by hiring workers at a lower wage during and after the training period, when they are also expending time and money for training. They must also deal with more hiring restrictions regarding employment of teenage workers under 18.
- Without a reduction in the minimum wage paid to youthful workers, the ability of those workers to find a job is significantly reduced.

Arguments Against:

- It is unfair to pay a worker different wages for doing the same job as that performed by someone older.
- Some studies have shown that when a minimum wage is raised, a subminimum wage has only a small effect upon increasing the ability of a student or young teen to get a job.
- Although federal law also provides for subminimum wages, use of these wages is limited to employers operating under a certificate granted by the Secretary of Labor. Currently, there are only 75 employers in Michigan who have such certificates and virtually all of them are for handicapped employees. Extending the subminimum wage to an entire class of employees is unprecedented and unwarranted.

Supporters/Opponents:

The Michigan Restaurant Association and Spartan Stores support the bill.

Other Pertinent Information:

The original bill would have increased the training wage for the first 90 days of employment from the current \$4.25 to \$5.15. It would also have pegged the minimum hourly wage for an employee under 18 years of age at \$5.15 per hour. Finally, the original bill established a subminimum wage for full-time students working under certificates granted by the Secretary of Labor at 85% of the state's minimum wage.

Fiscal/Economic Impact:

a) **Department:** Costs are minimal, being limited to additional training for staff, publication of materials, and updating information on the website.

Revenue: Department revenues will not be affected.

b) **State of Michigan**
Unknown.

c) **Local Government**
Unknown.

Administrative Rules Impact:

Current minimum wages rules will need to be updated.